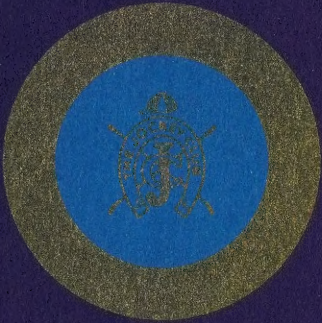


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THE JOCKEY CLUB LIMITED ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1968



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ANNUAL REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS

Your Directors present herewith the annual report of your Company, together with the consolidated financial statements and report of the auditors for the year ended December 31, 1968.

**race
meetings**

The thoroughbred race meetings followed the pattern of the previous year.

The harness racing schedule was generally the same as in 1967 with the exception of the addition of a fourth meeting at Greenwood at the end of the season. The racing programs for the latter meeting were made available through reductions in certain other meetings, particularly the Greenwood spring meeting and the Mohawk summer meeting.

Sunday racing was inaugurated during the year, with two Sunday programs being conducted at the Fort Erie summer meeting and seven Sunday programs at each of the Woodbine and Garden City autumn meetings.

The number of racing days at each of your Company's race tracks during the last three years was as follows:

	<u>1968</u>	<u>1967</u>	<u>1966</u>
Thoroughbred racing at Woodbine	76	80	76
Greenwood	66	60	52
Fort Erie	54	56	68
	<u>196</u>	<u>196</u>	<u>196</u>
Harness racing at Greenwood	126	118	83
Mohawk	77	91	78
Garden City	65	66	84
	<u>268</u>	<u>275</u>	<u>245</u>
	<u>464</u>	<u>471</u>	<u>441</u>

The 1969 thoroughbred racing season of 196 days opened at Greenwood on March 24 and will conclude at the same track on November 29. The Greenwood summer meeting has not been scheduled for this year and most of the other meetings are slightly longer; with this exception, the pattern is unchanged.

The harness racing schedule for 1969 comprises 270 programs during the period January 1 to December 20. The pattern of race meetings is

generally the same as in 1968 except that the Mohawk summer meeting has been eliminated and additional racing days have been allocated to the Garden City spring meeting, the Greenwood summer meeting and the Mohawk autumn meeting.

**financial
results of
operations**

As shown on the accompanying statement of consolidated profit and loss, gross revenues and operating expenses for the year increased by \$1,492,309 (6.2%) and \$1,367,752 (7.2%) respectively, in comparison with the previous thirteen-month period. Profit from operations increased by \$201,324 and, after deducting financial expenses, income taxes and the interests of minority shareholders, the net profit for the year increased by \$160,747. Earnings per common share, after providing for dividends on preference shares, amounted to 20.8¢ during the year compared with 17.7¢ in 1967.

The comparative figures for 1967 include results for the thirteen months ended December 31, 1967. Losses incurred in the month of December, 1967, consisting mainly of overhead expenses when the tracks were not operating, amounted to approximately \$200,000 after taking into account income taxes recoverable. Thus, if the results for 1967 were restated on a twelve-month basis, the net profit for 1967 would have been about \$1,520,000 as compared with \$1,472,005 in 1968.

Both average daily wagering and average daily attendance increased during the past year with the greater part of the additional volume of business being obtained at the harness race meetings. Sunday racing, which is discussed more fully later in this report, had a significant favourable effect on the revenues from thoroughbred racing but little apparent effect on harness racing.

The increase in operating expenses was mainly attributable to a higher purse distribution to the owners of harness horses, increases in salary and wage costs, higher property taxes and new approaches to advertising and promotion.

**capital
expenditures**

During the year in review, the major projects referred to in the last annual report were completed, including improvements to the clubhouse and grandstand at Woodbine, renovation of the Turf Club at Fort Erie, an addition to the dining terrace at Greenwood and the second phase of the parking lot paving program at all race tracks.

The estimated cost of the Company's current capital expenditure program is approximately \$1,000,000. This program includes the third phase of the parking lot paving program at all tracks except Greenwood, construction of a horse overpass at Garden City, additional office accommodation at

**recent
developments
and
prospects**

Woodbine, an escalator in the grandstand at Garden City and racing and maintenance equipment.

Three positive developments have occurred recently which your Directors view as encouraging and which should provide some assistance for the horse racing industry in Ontario.

First, during the year in review legislation was enacted to permit horse racing on Sundays and the required municipal by-laws have been passed in the Municipality of Metropolitan Toronto, where Woodbine and Greenwood are located, in the Township of Bertie, where Fort Erie Race Track is located and in the Township of Niagara, where Garden City is located. At the request of the Council of the Municipality of Metropolitan Toronto, the Company gave a commitment that it would not conduct horse racing at Greenwood on Sundays, unless and until released from such commitment. During 1969 racing is scheduled for all Sundays during the Woodbine, Fort Erie and Garden City meetings.

Second, the 1968 provincial budget made provision for the "encouragement and improvement of horse racing in Ontario" by allocating a sum of money for purse grants, breeders' awards, equine research, etc. The aggregate amount of the purse grants disbursed at Jockey Club race tracks during the period April 1, 1968 to March 31, 1969 was \$1,104,055. As mentioned in the notes to the financial statements, purse grants disbursed at our race tracks during 1968 have not been included in income or expenses in the statement of profit and loss for the year.

Similar provision has been made in the 1969 provincial budget, although the budget has not been approved by the Legislature as at the date of this report.

It should be pointed out that, although the provincial grants undoubtedly provide some immediate relief for the owners and breeders of race horses, the reaction of your Directors is somewhat tempered by the fact that this financial support is being provided through an increase in the tax on pari-mutuel wagering from 6% to 7%. In fact, the additional 1% tax imposed in the 1968 budget not only provided the funds required for the grants but also substantially increased the amount of revenue retained by the Government.

The third encouraging development is the introduction of federal legislation to increase the percentage of the pari-mutuel handle permitted to be retained by racing associations. The legislation provides for a sliding scale commencing at 9½% and based upon average wagering at each race track during the preceding year. If the amendments currently before the

House of Commons are enacted in their present form, the amount which will be permitted to be retained from the wagering pools at all of your Company's race tracks except Mohawk and Garden City will be increased from 9% to 9½%. In the case of Mohawk and Garden City, based upon 1968 wagering averages, the amount which will be permitted to be retained will be increased from 9% to 10% and 10½% respectively.

Although your Directors regard the above mentioned developments as encouraging, they are at the same time extremely conscious of the limitations of such measures in providing solutions for the basic problem which confronts horse racing, namely, increasing uncontrollable costs.

Effective with the commencement of the 1969 racing season, the general admission price at all of your Company's race tracks was increased from \$1.25 to \$1.50. While it is anticipated that this increase will have a beneficial effect on the Company's revenues, your Directors repeat what has been stated in previous annual reports, namely, that race tracks cannot, to the same extent as most other businesses, offset increasing uncontrollable expenses merely by raising their prices. In this connection, it will be noted that the admission price has been unchanged for seven years.

There has been one disturbing development in recent months. A Supreme Court of Canada decision has held that certain messenger or agency betting activities are legal under the provisions of the Criminal Code. Your Company is strongly opposed to any form of betting which is not subject to effective supervision and control and, accordingly, formal representations have been made to the appropriate government officials concerning this subject.

directors Your Directors have concluded that it is advisable to increase the number of Directors from 22 to 27 and recommend that you support this proposal at the forthcoming annual and general meeting.

The support from those gentlemen from the United States who serve as Directors of The Fort Erie Jockey Club Limited is much appreciated by your Directors. Mr. Charles Cary of Buffalo was appointed a Director of that Company in September, 1968.

Your Directors wish to thank all of our employees for their loyal service throughout the year.

On behalf of the Board of Directors,

Toronto, May 2, 1969.

E. P. TAYLOR,
Chairman.

CONSOLIDATED BALANCE SHEET

(with comparative figures for 1967)

assets

	1968	1967
Cash.....	\$ 472,507	\$ 440,678
Accounts receivable.....	160,594	113,005
Prepaid expenses.....	143,728	207,041
Special refundable tax.....	72,007	98,133
Mortgage due May 1975 (net).....	338,912	
Fixed assets—at cost:		
Land and land improvements.....	3,734,408	4,114,552
Buildings and equipment.....	45,889,974	44,483,227
Less accumulated depreciation.....	12,100,871	10,710,373
	33,789,103	33,772,854
	37,523,511	37,887,406
Bond and debenture discount less amounts written off.....	416,500	482,400
Excess of cost of acquisition of shares in subsidiary companies over book value of assets acquired less amounts written off.....	2,796,042	2,796,042
On behalf of the Board:		
E. P. TAYLOR, <i>Director</i>		
GEORGE C. HENDRIE, <i>Director</i>		
	\$41,923,801	\$42,024,705

(See accompanying notes)

JB LIMITED

(In accordance with the Companies Act of Ontario)

COMPANIES

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 1968

(As at December 31, 1967)

	liabilities	
	1968	1967
Bank indebtedness.....	\$ 277,725	\$ 1,838,790
Accounts payable and accrued charges....	1,035,281	864,254
Accrued bond and debenture interest.....	76,409	80,881
Income taxes payable.....	1,447,780	421,121
Dividends payable.....	87,169	88,619
Deferred income taxes (note 1).....	653,000	483,000
Bonds and debentures payable (note 2) (sinking fund payments due within one year: 1968—\$430,000; 1967—\$480,000)	13,289,000	14,259,000
Equity of minority shareholders in subsidiary companies.....	62,863	58,529
Shareholders' equity:		
Capital (note 3)—		
First preference shares.....	3,097,600	3,197,600
Second preference shares.....	3,000,000	3,000,000
Common shares.....	12,534,166	12,491,314
	18,631,766	18,688,914
Earned surplus (note 4).....	6,362,808	5,241,597
	24,994,574	23,930,511
	<u>\$41,923,801</u>	<u>\$42,024,705</u>

(See notes to financial statements)

THE JOCKEY CLUB LIMITED

AND ITS SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED EARNED SURPLUS

for the year ended December 31, 1968

(with comparative figures for the thirteen months ended December 31, 1967)

	1968	1967
Balance at beginning of period	\$5,241,597	\$5,364,929
Add net profit for the period	1,472,005	1,311,258
	<u>6,713,602</u>	<u>6,676,187</u>
Deduct:		
Dividends declared during period on—		
First preference shares Series A	125,155	128,500
First preference shares Series B	57,639	59,688
Second preference shares 1963 Series	168,000	168,000
Common shares		1,078,402
	<u>350,794</u>	<u>1,434,590</u>
Balance at end of period	<u>\$6,362,808</u>	<u>\$5,241,597</u>

(See accompanying notes to the financial statements)

Auditors' Report

To the Shareholders of
The Jockey Club Limited:

We have examined the consolidated balance sheet of The Jockey Club Limited and its subsidiary companies as at December 31, 1968, and the statements of consolidated profit and loss, earned surplus and source and application of cash for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the companies as at December 31, 1968, the results of their operations for the year then ended and the factors giving rise to changes in their cash position during the year, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 28, 1969.

Clarkson, Gordon & Co.
Chartered Accountants

THE JOCKEY CLUB LIMITED

AND ITS SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED PROFIT AND LOSS

for the year ended December 31, 1968

(with comparative figures for the thirteen months ended December 31, 1967)

	1968	1967
Income:		
Commission on mutuel wagering	\$18,864,794	\$17,736,070
Admissions (not including taxes collected)	3,469,817	3,245,063
Concessions, programs and parking	3,109,889	2,897,655
Other income	264,116	337,519
Total	<u>25,708,616</u>	<u>24,216,307</u>
Operating expenses:		
Purses (note 5)	8,006,223	7,465,122
Salaries and wages	5,269,816	4,973,530
Other operating and maintenance expenses	7,004,711	6,474,346
Total	<u>20,280,750</u>	<u>18,912,998</u>
Profit from operations before depreciation . .	5,427,866	5,303,309
Depreciation	1,424,254	1,501,021
Profit from operations	<u>4,003,612</u>	<u>3,802,288</u>
Financial expenses (net):		
Bond and debenture interest and discount . .	775,253	940,218
Other interest	82,020	85,907
Total	<u>857,273</u>	<u>1,026,125</u>
Profit before income taxes and minority interests	3,146,339	2,776,163
Income taxes	1,670,000	1,455,000
Profit before minority interests	1,476,339	1,321,163
Minority interests	4,334	9,905
Net profit for the period	<u>\$ 1,472,005</u>	<u>\$ 1,311,258</u>
Taxes on wagering and admissions collected for taxation authorities	<u>\$14,548,591</u>	<u>\$12,042,434</u>
Earnings per common share	20.8¢	17.7¢
Common shares outstanding (average for period)	<u>5,394,701</u>	<u>5,391,126</u>

(See accompanying notes to the financial statements)

THE JOCKEY CLUB LIMITED

AND ITS SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF CASH

for the year ended December 31, 1968

(with comparative figures for the thirteen months ended December 31, 1967)

	1968	1967
Cash provided:		
From operations—		
Net profit for the period	\$ 1,472,005	\$ 1,311,258
Minority interest in profits of subsidiary companies	4,334	9,905
Depreciation	1,424,254	1,501,021
Amortization of bond and debenture discount	65,900	75,500
Deferred income taxes	170,000	161,000
	<u>3,136,493</u>	<u>3,058,684</u>
Net decrease (increase) in accounts receivable and prepaid expenses	15,724	(106,869)
Special refundable tax	26,125	(32,763)
Net increase (decrease) in liabilities other than deferred income taxes and bonds and debentures payable	1,191,764	(1,071,027)
Issue of common shares for cash	42,852	21,000
Total cash provided	<u>4,412,958</u>	<u>1,869,025</u>
Cash expended:		
Mortgage re sale of Stamford Park property	338,912	
Purchase of fixed assets (net)	1,060,358	1,233,779
Retirement of bonds and debentures payable	970,000	875,000
Redemption of preference shares	100,000	100,000
Dividends declared	350,794	1,434,590
Total cash expended	<u>2,820,064</u>	<u>3,643,369</u>
Increase (decrease) in cash	<u>\$ 1,592,894</u>	<u>\$ (1,774,344)</u>
Cash (net bank indebtedness) at beginning of period	\$ (1,398,112)	\$ 376,232
Cash (net bank indebtedness) at end of period	<u>194,782</u>	<u>(1,398,112)</u>
Increase (decrease) in cash during period as above	<u>\$ 1,592,894</u>	<u>\$ (1,774,344)</u>

(See accompanying notes to the financial statements)

THE JOCKEY CLUB LIMITED

AND ITS SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 1968

(1) INCOME TAXES

Tax reductions realized prior to 1966 as a result of claiming capital cost allowances in excess of depreciation written (not reflected as deferred income taxes on the accompanying balance sheet) amount to \$3,051,000.

(2) BONDS AND DEBENTURES

	Principal amount issued	Outstanding December 31, 1967	Retired during the year	Outstanding December 31, 1968
First mortgage sinking fund bonds—				
5¼% Series A, due January 1, 1971	\$ 4,000,000	\$ 1,600,000	\$200,000	\$ 1,400,000
6% Series B, due November 1, 1978	3,000,000	1,920,000	120,000	1,800,000
6% Series C, due November 15, 1980	3,000,000	2,340,000	120,000	2,220,000
5¼% Series D, due May 1, 1982..	3,000,000	2,580,000	120,000	2,460,000
5¼% Series E, due Nov. 15, 1983.	3,000,000	2,700,000	170,000	2,530,000
Sinking fund debentures—				
5½% due January 1, 1972.....	6,000,000	3,119,000	240,000	2,879,000
	<u>\$22,000,000</u>	<u>\$14,259,000</u>	<u>\$970,000</u>	<u>\$13,289,000</u>

(3) CAPITAL STOCK

(a) The authorized and issued and outstanding capital of the company as at December 31, 1968 is as follows (with comparative figures as at December 31, 1967):

Authorized—	1968	1967
309,760 (1967—319,760) first preference shares with a par value of \$10 each		
500,000 (1967—500,000) second preference shares with a par value of \$10 each		
6,119,646 (1967—6,119,646) common shares without par value		
Issued and outstanding—		
206,092 (1967—212,092) 6% cumulative redeemable first preference shares, Series A (redeemable at \$10.50 per share)	\$ 2,060,920	\$ 2,120,920
103,668 (1967—107,668) 5½% cumulative redeemable first preference shares, Series B (redeemable at \$10.50 per share)	1,036,680	1,076,680
	<u>\$ 3,097,600</u>	<u>\$ 3,197,600</u>
300,000 (1967—300,000) 5.60% cumulative redeemable second preference shares 1963 Series (redeemable at \$10.50 per share)	\$ 3,000,000	\$ 3,000,000
5,407,795 (1967—5,393,511) common shares.....	<u>\$12,534,166</u>	<u>\$12,491,314</u>

- (b) During the year the company purchased for cancellation first preference shares Series A and Series B having a par value of \$60,000 and \$40,000 respectively.

Under the conditions attached to the first preference shares Series A and Series B the company is required to allocate certain amounts to a sinking fund for the purchase of first preference shares Series A and Series B for cancellation. The amount required to be so allocated by January 15, 1969 will total \$100,000.

During the year 14,284 common shares were issued for a cash consideration of \$42,852 as a result of the exercise of options granted to certain executives and managers of the company which entitle the holders thereof to purchase common shares at \$3 per share. At December 31, 1968 an additional 196,079 unissued common shares were reserved for these options which are exercisable up to February 27, 1971.

(4) DIVIDEND RESTRICTIONS

The provisions attached to the first and second preference shares and the trust deed and indentures supplemental thereto securing the bonds and the trust indenture relating to the debentures all contain provisions restricting the declaration and payment of dividends. At January 1, 1969 the amount of earned surplus available for dividends on the common shares under the most restrictive of these conditions was approximately \$2,500,000.

(5) PURSES

Grants paid to owners of horses on behalf of the Provincial Government totalling \$1,011,124 in 1968 have not been included in purse expense in the accompanying statement of profit and loss.

(6) REMUNERATION OF MANAGEMENT

Directors, as such, receive no remuneration for their services. The aggregate direct remuneration paid or payable by the companies to the senior officers for the year was \$172,250.

THE JOCKEY CLUB LIMITED

subsidiary companies

THE ASCOT TURF CLUB, LIMITED

THE BELLEVILLE DRIVING AND ATHLETIC ASSOCIATION LIMITED

THE CHATHAM DRIVING PARK COMPANY, LIMITED

THE DUFFERIN PARK DRIVING CLUB LIMITED

ESSEX RACING AND ATHLETIC CLUB LIMITED

THE FORT ERIE JOCKEY CLUB LIMITED

GREENWOOD RACING CLUB LIMITED

THE HAMILTON JOCKEY CLUB (LIMITED)

KENILWORTH JOCKEY CLUB, LIMITED

LONG BRANCH JOCKEY CLUB, LIMITED

THE METROPOLITAN RACING ASSOCIATION OF CANADA (LIMITED)

THE NAPANEE DRIVING PARK ASSOCIATION LIMITED

ORPENDALE LIMITED

THE PETERBOROUGH TURF CLUB LIMITED

THE SIMCOE DRIVING PARK ASSOCIATION LIMITED

THE SUDBURY RIDING AND DRIVING PARK ASSOCIATION, LIMITED

THE THORNCLIFFE PARK RACING AND BREEDING ASSOCIATION, LIMITED

THE TORONTO DRIVING CLUB LIMITED

THE WINDSOR RACING AND ATHLETIC CLUB, LIMITED

